



Q4 close for Texas' Vista Ridge water pipeline PPP

Sakshi Sharma

23/09/2016

A consortium led by Garney Construction is expecting to reach financial close on the Vista Ridge water pipeline PPP in Texas, US, over the next 30 to 40 days, *IJGlobal* has learnt from several sources close to the transaction.

The new water pipeline, estimated to cost \$3.4 billion over its 30-year concession life-cycle, will be backed by an approximately \$800 million to \$900 million debt piece, according to three sources familiar with the process.

The debt financing is being led by Japanese lender SMBC, which is expected to be joined by a club of between five and six other commercial banks. Bank mandates have not been finalized yet as credit committees are understood to be meeting with the consortium over the next two weeks to confirm participation. Sources also suggested that sponsors may tap the capital markets for a bond issue after the project's construction phase is complete and operations begin.

INTECH Risk Management was recently appointed insurance adviser to the lenders. Societe Generale is financial adviser for the consortium. The financing will also involve equity contribution from consortium partners Garney (80%) and Abengoa (20%). Garney's portion is understood to be around \$65 million and will be financed on balance sheet.

The Vista Ridge consortium comprises:

- Garney Construction
- Abengoa
- BlueWater
- Pape-Dawson Engineers
- CP&Y
- R.W. Harden

In May 2016, the board of the San Antonio Water System (SAWS) granted approval to a change in equity ownership for the project after troubled Spanish renewables developer Abengoa reached an agreement to hand over 80% equity ownership in the project to Garney Construction in March 2016, reducing its own equity stake to 20%.

Following staff analysis, a recommendation was made to approve Garney Construction, a Kansas City, Missouri-based company, as majority partner. In addition, SAWS staff were also informed that contractual rates were locked in on the Vista Ridge project which will save SAWS ratepayers upward of \$400 million on the project. Garney Construction was already part of the original Vista Ridge consortium but as a minority shareholder and construction partner. The consortium was named preferred bidder in 2014.

Abengoa's move was in line with its strategy to rearrange its debt after it filed for insolvency protection in December 2015. SAWS has mandated that any partners to this project must abide by existing covenants in the original contract, developed as a result of the publicly held negotiations.

The [San Antonio city council approved in November 2014](#) the estimated \$3.4 billion contract for the new water project, which will deliver 168,970 m3 per day of water (50,000 acre-feet per year) through a 225km pipeline. The 30-year concession project involves the design, build, finance, operation and maintenance of new production wells, pumping stations, raw water collection, storage tanks and a 142-mile pipeline to deliver the new water supply.

According to the SAWS's project website, San Antonio residents will not see a rise in their water bill to pay the costs of the new pipeline. Average residential bill is estimated to be about \$88 in 2020, of which about \$12 will be required to pay for water provided through this project, SAWS projects.

The water will be delivered from the Carrizo and Simsboro Aquifers in Bureson and Milam Counties, located northeast of Austin, Texas. The project will support the growing water demand of an additional 20,000 San Antonians every year. Construction is slated to be completed by 2019.

Thank you for printing this article from IJGlobal.

As the leading online publication serving the infrastructure investment market, IJGlobal is read daily by decision-makers within investment banks, international law firms, advisory firms, institutional investors and governments.

All content © Copyright 2016 IJGlobal, all rights reserved.

If you have been given this article by a subscriber, you can contact us through www.ijglobal.com/sign-up, or call our London office on +44 (0)20 7779 8870 to discuss our subscription options.